

MINUTES OF REGULAR MEETING - VIDEO
OPEN SESSION
May 17, 2012
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Thursday, May 17, 2012 a Regular Meeting - Video of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois. The Open Session on Video Gaming started at approximately 10:42 A.M. Present were Chairman Aaron Jaffe, Members Gould, Michael Holewinski and Vander Weele.

APPROVAL OF MINUTES –

Member Holewinski moved that the Board approve the open session minutes of its Regular Meeting of April 19, 2012. Member Vander Weele seconded the motion. The Board approved the motion unanimously by roll call vote.

ADMINISTRATOR'S REPORT –

Administrator Ostrowski stated that Scott Stewart of Scientific Games will present an overview of the process concerning video gaming.

PUBLIC COMMENTARY –

Scott Stewart; Vice President of Account Services for Scientific Games presented an overview of operations of the video gaming terminals once the central communications system is operational.

BOARD POLICY ITEMS –

- **Proposed Rules - Sections 110, 230, 250, 260, 310 and 820; new Subparts L and M and new Sections 1310 and 1410**

Caleb Melamed, the Legislative liaison, addressed the Board regarding the above rule changes.

Authorization for payout devices: Under this proposal, licensed locations must have on their premises a payout device, approved by the Board, to redeem tickets. Only licensed suppliers will have authority to supply a payout device to a licensed location. A player wishing to redeem a ticket may submit the ticket directly to the payout device or, alternatively, may use the services of an authorized employee of the licensed establishment who is at least 21 years old. Because the resolution of this issue is essential to the implementation of video gaming, the legal staff recommends the promulgation of an emergency rulemaking on this topic, to be effective immediately upon filing with the Secretary of State.

Public requests for information: Section 5.1 of the Riverboat Gambling Act [230 ILCS 10/5.1 (West 2010)] currently provides that “the Board shall, on written request from any person, provide information furnished by an applicant of licensee concerning the applicant or licensee, his products, services or enterprises and his business holdings[.]” An identical requirement should be added to the video gaming rules so that there is no question that Section 80 of the Video Gaming Act, which incorporates non-conflicting provisions of the Riverboat Gambling Act, applies to this important public disclosure requirement.

Posting of odds: Section 35 (b) (1) of the Video Gaming Act directs the Board to adopt a rule governing the calculation and posting of odds. In promulgating this rule, the Board must comply with parameters established by Section 15 (2) of the Act [230 ILCS 40/15 (2)]. This subparagraph provides that every video gaming terminal must theoretically pay out a mathematically demonstrable percentage during the expected lifetime of the machine of all amounts played, which must not be less than 80%. For video gaming terminals that may be affected by skill, the odds shall be calculated assuming optimal play.

New grounds for disciplinary action-absence of qualifications for licensure: Staff recommends an amendment to Section 1800.310(a) of the video gaming rules which adds to the list of causes for disciplinary action against a licensee by the Board ; the following:

- 1) Failing to maintain minimum qualifications of licensure.
- 2) Any cause which, if known to the Board, would have disqualified the applicant from receiving a license.
- 3) Engaging in, or facilitating, any unfair methods of competition or unfair or deceptive acts or practices.

Amendment to fingerprinting and photographing requirements: Section 1800.540(d)(4) of the video gaming rules currently requires fingerprinting and photographing of “individuals required to submit Video Gaming Personal Disclosure Forms.” This is a category which includes individual applicants for licensure as well as persons defined to be “persons with significant influence or control” under Section 1800.110 of the rules. Staff recommends extending the coverage of the photograph and fingerprinting requirements to include video gaming managers as well as individuals with 5% or more direct and/or indirect interest in a video gaming location. Although individuals who fall under % can play an important management role, they are not necessarily required to submit fingerprints and photographs under the current rule language.

Maintenance and repair log: Staff recommends an addition to the rules mandating the maintenance of a log for each video gaming terminal. The log will note all persons (licensed terminal handlers) who access the innermost locked logic case of a VGT, the times of access, and the reasons for access. A similar requirement can be found in the riverboat gambling rules at 86 Ill. Admin. Code 3000.670.

Duties of licensed terminal handlers: Section 1800.260 of the video gaming rules imposes a detailed list of duties upon licensed technicians, involving mandatory notifications to the Board, license checks, compliance with specifications and technical requirements, and display of identification. Section 1800.260 should be amended to impose the same set of duties upon licensed terminal handlers.

Compliance with the duties listed in this section is critical for the licensed terminal handlers, who unlike the licensed technicians have access to the innermost logic areas of a VGT.

Waivers of location restrictions: Section 25(h) of the Video Gaming Act [230 ILCS 40/25(h) (West 2010)] generally provides that a licensed location shall not be located within 1,000 feet of the following:

- An organization licensee or intertrack wagering licensee licensed under the Horse Racing Act of 1975; and
- The home dock of a riverboat licensed under the Riverboat Gambling Act.

Section 25(h) also provides that the Board may waive the above distance requirements, on the condition that the Board shall not grant such waiver if there is any common ownership or control, shared business activity, or contractual arrangement of any kind between the licensed location and the other entity. The proposed rule provides that, in making its determination whether to grant a waiver, the Board may consider the following:

- a) the number and character of other Licensed Locations not only in the area where the proposed Licensed Video Gaming Location will be located but also in the particular municipality (or subdivision of the municipality);
- b) Whether the applicant has obtained all other necessary governmental licenses and permits;
- c) the history of liquor law violations and reported criminal activity at the location; and
- d) any other factor that would be relevant to deciding whether public interest, convenience and advantage would be served by approving the waiver.

The Board shall not grant such waiver if there is any common ownership or control, shared business activity, or contractual arrangement of any type between the proposed Licensed Video Gaming Location and the other entity.

Member Gould moved that **the Board authorize staff to submit proposals to amend the Board's rules on Video Gaming for First Notice Filing with the Secretary of State upon final review and approval by the Administrator including: Section 1800.110 regarding Definitions; Section 1800.230 on Duties of Licensed Manufacturers; Section 1800.250 regarding Duties of Licensed Terminal Operators;**

Section 1800.260 regarding Duties of Licensed Technicians and Licensed Terminal Handlers; Section 1800.310 regarding Grounds for Disciplinary Action; new Section 1800.820 regarding Waivers of Location Restrictions; new Subpart L and new Section 1800.1310 regarding Payout Devices; and new Subpart M and new Section 1800.1410 regarding Public Access to Information. Member Holewinski seconded the motion. The Board approved the motion unanimously by roll call vote.

TERMINAL OPERATOR ITEMS

- **Licensure of Terminal Operators**

Based on a review of staff's investigation and recommendation, Member Vander Weele moved that **the Board approve the following entities for Terminal Operator's Licenses effective May 17, 2012 for a period of one year, expiring in May 2013:**

- **G3 Gaming, LLC; and**
- **Tap Room Gaming, LLC.**

Member Gould seconded the motion. The Board approved the motion unanimously by roll call.

- **Hyperactive Gaming, LLC, Terminal Operator Licensee**

Based on a review of staff's investigation and recommendation, Member Holewinski moved that **the Board approve Hyperactive Gaming, LLC for a Terminal Operator's License effective May 17, 2012 for a period of one year, expiring in May 2013.** Member Vander Weele seconded the motion. Member Gould abstained. The motion passed 3 to 0.

- **Illinois Gaming Investors, LLC, Terminal Operator Licensee**

Based on a review of staff's investigation and recommendation, Member Gould moved that **the Board approve Illinois Gaming Investors, LLC for a Terminal Operator's License effective May 17, 2012 for a period of one year, expiring in May 2013.** Member Holewinski seconded the motion. Member Vander Weele abstained. The motion passed 3 to 0.

- **Denial of Terminal Operators' Licenses**

Based on a review of staff's investigation and recommendation, Member Vander Weele moved that **the Board deny the following entities' applications for a Terminal Operator's License:**

- **C. Capp's LLC;**
- **Midwest Gaming Technologies, LLC; and**
- **Video Gaming Industries, LLC.**

Member Gould seconded the motion. The Board approved the motion unanimously by roll call vote

At 11:47 A.M. Member Gould motioned to adjourn and Member Holewinski seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator